

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF LEVEE ROAD WATER  
ASSOCIATION, INC.

---

ALLEGED VIOLATION OF KRS CHAPTER 278

)  
)  
) CASE NO. 91-236  
)  
)  
)

O R D E R

Levee Road Water Association, Inc. ("Levee Road") is a non-profit corporation formed under KRS Chapter 273 which distributes water to approximately 459 customers in Montgomery County, Kentucky. The Commission's Utility Investigators inspected Levee Road for compliance with Commission statutes and regulations on October 18, 1990. The findings of the inspection were reduced to a report and sent to the utility in the interest of obtaining its response; the report is appended to this Order and incorporated herein as Appendix A.

The October 18, 1990 inspection reflects that Levee Road is charging rates in excess of its tariffed rates to residential customers. In addition to its rates for water service, Levee Road is alleged to be making certain nonrecurring charges that are not approved and on file in its tariff. The following schedule reflects the rates Levee Road is authorized by its tariff to make and reflects the rates Levee Road is believed to be charging to its customers.

**Rates Authorized by  
Commission and on  
File in its Tariff**

**Unauthorized Rates  
Currently Being  
Charged**

**Residential Rates:**

First 1,000 gal.	\$ 6.80 minimum bill	\$ 7.13 minimum bill
Next 2,000 gal.	2.45 per 1000 gal.	2.78 per 1000 gal.
Next 3,000 gal.	1.95 per 1000 gal.	2.28 per 1000 gal.
Next 19,000 gal.	1.45 per 1000 gal.	1.78 per 1000 gal.
Next 25,000 gal.	1.20 per 1000 gal.	1.53 per 1000 gal.
Over 50,000 gal.	1.00 per 1000 gal.	1.33 per 1000 gal.

**Nonrecurring Charges:**

Reconnection Charge	\$0	\$20.00
Customer Deposit	\$0	40.00
Late Payment Penalty	0	5%

In April of 1991, the Staff of the Commission's Financial Audit Branch began an audit of the association based upon the findings of the October 18, 1990 inspection. Preliminary findings of that audit have been reduced to a report, attached hereto and incorporated herein as Appendix B. As noted in the report, those rates reflected in the schedule above for metered service may have been charged since May 1987. It is unknown how long the district has been collecting the customer deposit. The audit process has further disclosed that the utility operates a bulk loading facility whereby customers may purchase 1,000 gallons of water for \$3.00. However, if that customer is in the business of hauling water, the rate is reduced to \$2.91 per 1,000 gallons. These charges also do not appear in the utility's filed tariff.

KRS 278.160 provides:

(1) Under rules prescribed by the commission, each utility shall file with the commission, within such time and in such form as the commission designates, schedules showing all rates and conditions for service established by it and collected or enforced. The utility shall keep

copies of its schedules open to public inspection under such rules as the commission prescribes.

(2) No utility shall charge, demand, collect or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules.

Allegedly, Levee Road has failed to adhere to the provisions of KRS 278.160 in charging rates which do not appear in its tariff and which have not been approved by this Commission. Accordingly, the Commission finds that a prima facie showing has been made that Levee Road has violated KRS 278.160 by charging unauthorized rates and Levee Road should immediately cease charging any and all rates not specifically approved by this Commission.

IT IS THEREFORE ORDERED that:

1. Levee Road shall appear at a hearing scheduled for August 28, 1991, at 10:00 a.m., Eastern Daylight Time, in Hearing Room 2 of the Commission's offices at 677 Commanche Trail, Frankfort, Kentucky, and be prepared to show cause, if any it can, why Levee Road should not be penalized pursuant to KRS 278.990 for its failure to comply with KRS 278.160.

2. Levee Road shall immediately cease charging any rates and special charges not contained in its tariff filed at the Commission.

3. Levee Road shall submit a written response to all allegations contained herein within 20 days of the date of this Order.

4. Within 20 days of the date of this Order, Levee Road shall file a schedule showing a monthly breakdown of the revenues

collected for metered service as a result of the unauthorized charges since May of 1987. Levee road shall also file a schedule showing a monthly breakdown of miscellaneous service revenues collected for the last four years. The schedule of miscellaneous service revenues shall list each and every unauthorized special charge or service charge collected and shall show each individual customer's name and address from whom each charge was collected.

5. Levee Road shall appear at an informal conference and shall bring an employee and/or officer familiar with the allegations contained herein scheduled for August 14, 1991, at 10:00 a.m., Eastern Daylight Time, in Conference Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 18th day of July, 1991.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

\_\_\_\_\_  
Commissioner

ATTEST:

  
Executive Director



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

November 2, 1990

Ms. Brenda Murphy  
Secretary  
Levee Road Water Association, Inc.  
Route 2, Box 7179  
Mt. Sterling, KY 40353

Dear Ms. Murphy:

On October 18, 1990, a periodic inspection was made of Levee Road Water Association, Inc. by George E. Allison, Utility Investigator with the Public Service Commission. The comments on this inspection have been condensed into a report, which is being sent herewith in the interest of obtaining your response. We would appreciate receiving your response to this report no later than December 3, 1990.

Please feel free to call Mr. Allison at (502) 564-6736 for any clarification you may need on this matter.

Sincerely,

A handwritten signature in cursive script that reads "Eddie B. Smith".

Eddie B. Smith, Manager  
Water & Sewer Branch  
Division of Utility Engineering  
& Services

EBS:GEA:aem  
Attachment

Commonwealth of Kentucky  
Public Service Commission

UTILITY INSPECTION REPORT

Levee Road Water Association, Inc.  
Mt. Sterling, Kentucky

Utility operations, utility maintenance, utility management and their effect on utility services are a primary concern of the Commission and this Division. Our ongoing inspection program is an expression of this concern. During each inspection, I am stressing: (1) the importance of periodic testing of customers' meters, (2) the importance of accounting for all water purchased and/or produced, (3) the need for surveillance of system operations and (4) the significance of good operating records.

The subject inspection was made October 18, 1990. The utility consists of a distribution system operating in Montgomery County, Kentucky. It has approximately 457 customers on its system. The utility representative providing information and assistance during this inspection was Brenda Murphy, secretary of the Association.

The Association's facility operations and its office procedures were reviewed for compliance with the Kentucky Revised Statutes (KRS 278) and the Public Service Commission Regulations (807 KAR).

The following deficiencies were noted:

1. The utility is not filing the "Quarterly Meter Report" with the Commission as required in accordance with 807 KAR 5:006, Section 3(2).

2. The utility has retained customer deposits for more than 18 months without notifying the customers of their right to have the interest on their deposits recalculated pursuant to 807 KAR 5:006, Section 7.
3. The utility is not maintaining its system maps as required in 807 KAR 5:006, Section 18(1).
4. The utility does not have a safety program outlined on performance of work, safety methods, occupational hazards and artificial respiration as specified in 807 KAR 5:006, Section 22.
5. The utility is not providing in its office or place of business a suitable area available to the public for inspection of its tariffs, rules and regulations, and statutes in accordance with 807 KAR 5:011, Section 12.
6. The utility has issued a new tariff without notification to the Commission as specified in 807 KAR 5:011, Section 9.
7. The utility is not maintaining a record on interruptions of service to include: cause of interruption, date, time, duration, remedy and steps taken to prevent reoccurrence as required in 807 KAR 5:066, Section 5(5).
8. The utility does not provide blow-off valves on dead end lines for the purpose of flushing as required by 807 KAR 5:066, Section 9(2).
9. The utility is not inspecting those service lines on 10 acres or larger as required by 807 KAR 5:066, Section 10(3).

#### Recommendations

A written response should be prepared and forwarded to the Public Service Commission within 30 days of the date of receipt of this report. This response should say what has been done or

Report - Levee Road Water  
Association, Inc.  
Page 3

what will be done to correct each noted deficiency. A starting date and a completion date should be given for actions that are to be accomplished after the date the response is mailed.

Submitted,  
November 2, 1990

George E. Allison  
George E. Allison  
Utility Investigator

K.M.N.  
(b)

CGR:GEA:aem



APPENDIX B  
APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 91-236 DATED 7/18/91

Preliminary Audit Findings of  
Levee Road Water Association

On October 18, 1990 a periodic inspection was made of Levee Road Water Association, Inc. The following unauthorized charges were noted:

	P.S.C. File	Utility Charges
Residential Rate	\$6.80 minimum bill	\$ 7.13 minimum bill
Reconnection Charge	-0-	20.00
Customer Deposit	-0-	40.00
Penalty for late Payment	-0-	5%

In April 1991, the Financial Audits Branch started a financial audit of the Association based on the above findings. Discussions with Brenda Murphy, secretary of the Association, indicated the 5% late payment penalty has never been collected. The \$20 reconnection fee was collected once in 1984 or 1985. However, the unauthorized rates for metered service have been charged since May 1987. Apparently, the rates were raised due to an increase from their supplier. A customer deposit has been collected from renters for several years. Mrs. Murphy believes a \$20 deposit was charged when the system started in 1971. This was increased to \$40 in approximately 1986.


While the audit is ongoing, the following possible violations have been noted. The utility operates a bulk loading facility wherein customers deposit quarters and receive water. One thousand gallons are received for every \$3.00. Also, a customer in the business of hauling water is allowed to purchase water at a reduced rate of \$2.91 per 1,000 gallons. Neither of these charges is in the utility's filed tariff.

The utility appears cooperative and willing to take all appropriate steps necessary to correct these problems. The utility was informed to cease collecting all unauthorized charges immediately. Mrs. Murphy states that bills sent out in July 1991 will be calculated based on the utility's filed tariff.

It appears all violations other than the unauthorized rates for metered services can be corrected by filing a new tariff. The utility has been provided with all necessary forms to do so.

ME/kms/233

Prepared by:

  
Melinda Evans  
Financial Auditor  
Rates and Tariffs